

CITY OF DAYTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS

June 30, 2007

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CITY OF DAYTON

OFFICIALS

<u><i>Name</i></u>	<u><i>Title</i></u>	<u><i>Term Expires</i></u>
Beth Wickwire	Mayor	December 31, 2007
Don Dahlstrom	Council Member	December 31, 2007
Paula Gallentine	Council Member	December 31, 2009
Cindy Corson	Council Member	December 31, 2007
Richard Travis	Council Member	December 31, 2009
Joni Reiling	Council Member	December 31, 2007
Randy Danielson	Clerk/Treasurer	Indefinite
Mark Hemmingson	Attorney	Indefinite

CITY OF DAYTON



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dayton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2008 on our consideration of the City of Dayton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnarr & Company, LLP

Fort Dodge, Iowa
April 8, 2008

CITY OF DAYTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Dayton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The City's total cash basis net assets decreased 30.48%, or approximately \$201,928, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased by approximately \$137,431, and the assets of the business type activities decreased by approximately \$64,516. The decrease in net assets was primarily due to capital project expenditures for street resurfacing, storm sewer construction and completion of the City's new water treatment plant. The City also expended \$ 61,096 for work done through the owner-occupied housing rehabilitation program. This was reimbursed by the State of Iowa, but not until the 2007-2008 fiscal year.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Danielson, City Clerk, 202 1st Ave. SW, Dayton, Iowa 50530.

CITY OF DAYTON

BASIC FINANCIAL STATEMENTS

CITY OF DAYTON

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the Year Ended June 30, 2007

			Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 86,405	\$ -	\$ -
Public works	94,566	1,862	73,677
Health and social services	783	-	-
Culture and recreation	43,999	1,814	15,454
Community and economic development	78,288	17,061	4,783
General government	85,019	8,071	-
Debt service	76,045	-	-
Capital projects	440,609	-	-
Total governmental activities	905,714	28,808	93,914
Business type activities:			
Water	156,037	103,873	4,203
Sewer	100,349	100,653	-
Landfill/Garbage	47,696	45,267	-
Electric	508,930	512,372	-
Total business type activities	813,012	762,165	4,203
Total	\$ 1,718,726	\$ 790,973	\$ 98,117

Exhibit A

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ -	\$ (86,405)	\$ -	\$ (86,405)
-	(19,027)	-	(19,027)
-	(783)	-	(783)
-	(26,731)	-	(26,731)
-	(56,444)	-	(56,444)
-	(76,948)	-	(76,948)
-	(76,045)	-	(76,045)
259,742	(180,867)	-	(180,867)
259,742	(523,250)	-	(523,250)
-	-	(47,961)	(47,961)
-	-	304	304
-	-	(2,429)	(2,429)
-	-	3,442	3,442
-	-	(46,644)	(46,644)
<u>\$ 259,742</u>	(523,250)	(46,644)	(569,894)

(Continued on next page)

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the Year Ended June 30, 2007

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued):			
Total Governmental and Business Type Activities (from previous page)	\$ (523,250)	\$ (46,644)	\$ (569,894)
General Receipts:			
Property and other city tax levied for:			
General purposes	146,116	-	146,116
Employee benefits	7,917	-	7,917
Debt service	75,542	-	75,542
Local option sales tax	49,582	-	49,582
Unrestricted interest on investments	14,325	11,540	25,865
Miscellaneous	19,340	38,404	57,744
Sale of assets	5,200	-	5,200
Transfers	67,805	(67,805)	-
Total general receipts	385,827	(17,861)	367,966
Change in cash basis net assets	(137,423)	(64,505)	(201,928)
Cash basis net assets beginning of year	250,563	411,976	662,539
Cash basis net assets end of year	\$ 113,140	\$ 347,471	\$ 460,611
Cash Basis Net Assets			
Restricted:			
Streets	\$ 3,653	\$ -	\$ 3,653
Employee benefits	17,599	-	17,599
Debt service	11,096	94,560	105,656
Other purposes	41,828	-	41,828
Unrestricted	38,964	252,911	291,875
Total cash basis net assets	\$ 113,140	\$ 347,471	\$ 460,611

See notes to financial statements.

CITY OF DAYTON

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS**

As of and for the Year Ended June 30, 2007

	Special Revenue		
	General	Road Use Tax	Urban Renewal
Receipts:			
Property tax	\$ 111,490	\$ -	\$ -
Other city tax	9,544	-	7,917
Licenses and permits	3,693	-	-
Use of money and property	24,238	-	-
Intergovernmental	22,357	73,677	-
Charges for services	1,862	-	-
Special assessments	4,378	-	-
Miscellaneous	25,650	-	-
Total receipts	203,212	73,677	7,917
Disbursements:			
Operating:			
Public safety	72,396	-	-
Public works	5,016	77,550	-
Health and social services	783	-	-
Culture and recreation	41,999	-	-
Community and economic development	73,471	-	-
General governments	69,515	-	-
Debt service	-	-	-
Capital projects	179,208	-	-
Total disbursements	442,388	77,550	-
Excess (deficiency) of receipts over (under) disbursements	(239,176)	(3,873)	7,917
Other financing sources (uses):			
Operating transfers in	89,753	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	89,753	-	-
Net change in cash balances	(149,423)	(3,873)	7,917
Cash balances beginning of year	107,910	7,526	9,682
Cash balances end of year	\$ (41,513)	\$ 3,653	\$ 17,599

Exhibit B

Debt		
Service	Nonmajor	Total
\$ 66,105	\$ 37,514	\$ 215,109
9,437	37,150	64,048
-	-	3,693
-	491	24,729
-	259,742	355,776
-	-	1,862
-	-	4,378
-	5,233	30,883
75,542	340,130	700,478
-	14,009	86,405
-	12,000	94,566
-	-	783
-	2,000	43,999
-	4,817	78,288
-	15,504	85,019
76,045	-	76,045
-	261,401	440,609
76,045	309,731	905,714
(503)	30,399	(205,236)
769	-	90,522
-	(22,717)	(22,717)
769	(22,717)	67,805
266	7,682	(137,431)
10,830	114,743	250,691
\$ 11,096	\$ 122,425	\$ 113,260

(Continued on next page)

CITY OF DAYTON

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- GOVERNMENTAL FUNDS**

As of and for the Year Ended June 30, 2007

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Urban Renewal</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved:			
General	(41,513)	-	-
Special revenue funds	-	3,653	17,599
Capital projects fund	-	-	-
	<u>\$ (41,513)</u>	<u>\$ 3,653</u>	<u>\$ 17,599</u>

**Exhibit B
(Continued)**

Debt Service		Nonmajor	Total
\$	11,096	\$ -	\$ 11,096
	-	-	(41,513)
	-	41,828	63,080
	-	80,597	80,597
<hr/>			
\$	11,096	\$ 122,425	\$ 113,260
<hr/>			

CITY OF DAYTON

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE
STATEMENT OF ACTIVITIES AND NET ASSETS -- GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2007**

Total governmental funds cash balances (page 8) \$ 113,260

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's payroll and payroll taxes to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(120)

Cash basis net assets of governmental activities (page 6) \$ 113,140

Net change in cash balances (page 7) \$ (137,431)

***Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of payroll and payroll taxes to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

8

Change in cash basis net assets of governmental activities (page 6) \$ (137,423)

See notes to financial statements.

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- PROPRIETARY FUND
Year Ended June 30, 2007**

	Water	Sewer
Operating receipts:		
Use of money and property:	\$ -	\$ -
Charges for service	103,873	100,653
Miscellaneous	-	-
Total operating receipts	103,873	100,653
Operating disbursements:		
Governmental activities:		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	149,280	52,434
Total operating disbursements	149,280	52,434
Excess (deficiency) of operating receipts over (under) operating disbursements	(45,407)	48,219
Non-operating receipts (disbursements):		
Intergovernmental	4,203	-
Interest on investments	-	19
Miscellaneous	7,281	588
Debt service	(6,757)	(47,915)
Net non-operating receipts (disbursements)	4,727	(47,308)
Excess (deficiency) of receipts over (under) disbursements	(40,680)	911
Operating transfers in (out)	18,948	-
Net change in cash balances	(21,732)	911
Cash balances beginning of year	32,470	58,358
Cash balances end of year	\$ 10,738	\$ 59,269

Exhibit D

Enterprise				Internal Service
Garbage/ Landfill	Electric	Cable	Total	Personel Services
\$ -	\$ -	\$ -	\$ -	\$ -
45,267	512,372	-	762,165	-
-	-	-	-	256,699
45,267	512,372	-	762,165	256,699
-	-	-	-	35,048
-	-	-	-	12,000
-	-	-	-	24,325
-	-	-	-	30,605
47,696	443,139	-	692,549	154,702
47,696	443,139	-	692,549	256,680
(2,429)	69,233	-	69,616	19
-	-	-	4,203	-
-	11,521	-	11,540	-
-	30,524	-	38,393	-
-	(65,791)	-	(120,463)	-
-	(23,746)	-	(66,327)	-
(2,429)	45,487	-	3,289	19
-	(11,000)	(75,753)	(67,805)	-
(2,429)	34,487	(75,753)	(64,516)	19
6,066	239,520	75,753	412,167	(319)
\$ 3,637	\$ 274,007	\$ -	\$ 347,651	\$ (300)

(Continued on next page)

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- PROPRIETARY FUND
Year Ended June 30, 2007**

See notes to financial statements.

**Exhibit D
(Continued)**

Enterprise				Internal Service
Garbage/ Landfill	Electric	Cable	Total	Personel Services
\$ - 3,637	\$ 94,163 179,844	\$ - -	\$ 94,560 253,091	\$ - (300)
\$ 3,637	\$ 274,007	\$ -	\$ 347,651	\$ (300)

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE
STATEMENT OF ACTIVITIES AND NET ASSETS -- PROPRIETARY FUNDS**
As of and for the Year Ended June 30, 2007

Total enterprise funds cash balances (page 11) \$ 347,651

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's payroll and payroll taxes to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

(180)

Cash basis net assets of business type activities (page 6) \$ 347,471

Net change in cash balances (page 10) \$ (64,516)

*Amounts reported for business type activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of payroll and payroll taxes to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

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Change in cash basis net assets of business type activities (page 6) \$ (64,505)

See notes to financial statements.

CITY OF DAYTON

CITY OF DAYTON

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Dayton is a political subdivision of the State of Iowa located in Webster County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer, landfill and electric services.

A. Reporting Entity

For financial reporting purposes, the City of Dayton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Central Iowa Area Safety and Support Organization.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

Government-wide Financial Statements (continued) - The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The *Road Use Tax Fund* is used to account for road construction and maintenance.

The *Urban Renewal Tax Increment Fund* is used to account for urban renewal projects financed by tax increment financing.

The *Debt Service Fund* is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

The City reports the following major proprietary funds:

The *Water Funds* are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and water services that are supported by user charges.

The *Sewer Fund* are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and sewer services that are supported by user charges.

The *Garbage/Landfill Fund* are utilized to finance and account for the acquisition, operation, and maintenance of garbage and landfill services that are supported by user charges.

The *Electric Fund* is utilized to finance and account for the acquisition, operation, and maintenance of electric services that are supported by user charges.

The *Cable Fund* was utilized to finance and account for the acquisition, operation, and maintenance of cable services that were supported by user charges. This fund was closed to the General Fund during the year, as the City no longer offers cable services.

The *Internal Service Fund* is utilized to account for the financing of services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City of Dayton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust that are valued at an amortized cost of \$412,095 pursuant to Rules 2a-7 under the Investment Company Act of 1940.

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment in the Iowa Public Agency Investment Trust is unrated.

NOTES TO FINANCIAL STATEMENTS

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes, revenue bonds, revenue notes and tax increment financing notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Revenue Notes		Tax Increment Financing Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 52,000	\$ 16,731	\$ 30,000	\$ 16,468	\$ 45,000	\$ 32,849	\$ 4,865	\$ 80	\$ 131,865	\$ 66,128
2009	57,000	16,088	31,000	15,554	45,000	31,165	4,913	30	137,913	62,837
2010	58,000	14,990	32,000	14,611	50,000	29,327	412	1	140,412	58,929
2011	58,000	13,598	32,000	13,645	50,000	27,151	-	-	140,000	54,394
2012	63,000	11,575	33,000	12,671	45,000	24,659	-	-	141,000	48,905
2013	63,000	9,049	34,000	11,668	45,000	22,235	-	-	142,000	42,952
2014	68,000	6,297	35,000	10,634	50,000	19,690	-	-	153,000	36,621
2015	68,000	3,138	37,000	9,562	50,000	16,874	-	-	155,000	29,574
2016	3,000	660	38,000	8,438	55,000	14,050	-	-	96,000	23,148
2017	3,000	570	39,000	7,283	60,000	10,632	-	-	102,000	18,485
2018	3,000	480	40,000	6,098	65,000	6,911	-	-	108,000	13,489
2019	3,000	390	41,000	4,883	65,000	2,962	-	-	109,000	8,235
2020	3,000	300	42,000	3,638	-	-	-	-	45,000	3,938
2021	3,000	210	44,000	2,355	-	-	-	-	47,000	2,565
2022	4,000	200	45,000	1,019	-	-	-	-	49,000	1,219
	\$ 509,000	\$ 94,276	\$ 553,000	\$ 138,527	\$ 625,000	\$ 238,505	\$ 10,190	\$ 111	\$ 1,697,190	\$ 471,419

NOTES TO FINANCIAL STATEMENTS

Note 3. Bonds and Notes Payable (Continued)

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to separate electric revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- C. Additional transfers to the electric revenue reserve and improvement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system and for debt retirement.

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2007, 2006 and 2005 were \$11,366, \$11,127 and \$10,120, respectively, equal to the required contributions for the year.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments to employees at June 30, 2007, primarily related to the General Fund, is as follows:

Type of benefit	Amount
Vacation	\$ 5,353
Personal leave	1,095
Total	\$ 6,448

This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 3,000
	Enterprise:	
	Cable	75,753
	Electric	11,000
		<u>89,753</u>
Enterprise: Water	Capital Project: Street & Bridge	18,948
Debt Service	Capital Project: Street & Bridge	<u>769</u>
Total		<u><u>\$ 109,470</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 7. Risk Management

The City of Dayton is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage many of the past fiscal years.

Note 8. Deficit Fund Balance

The General Fund Account had a deficit balance of \$41,513 at June 30, 2007. The deficit balance was a result of costs incurred prior to availability of funds. The deficit balance was created during the 2007 fiscal year and will be eliminated upon the receipt of State grants.

The Emergency Fund Account had a deficit balance of \$528 at June 30, 2007. The deficit balance was a result of transferring more money than it received in the current year to the General Fund. The City will re-evaluate the monies appropriated to the General Fund in the next year.

NOTES TO FINANCIAL STATEMENTS

Note 9. Contingent Liability

The City is currently resolving the issue of their well contract with the Company they hired to dig and install a new well. The City was withholding payment on the contract due to damages sustained to the City's old well by the current contractor which were not fixed. The Company is seeking compensatory damages of approximately \$25,844. The probability of loss, if any, is undeterminable.

CITY OF DAYTON

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL (CASH BASIS) --
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 215,109	\$ -	\$ -
Tax increment financing	7,917	-	-
Other city tax	56,131	-	-
Licenses and permits	3,693	-	-
Use of money and property	24,729	11,540	-
Intergovernmental	355,776	4,203	-
Charges for service	1,862	762,165	-
Special assessments	4,378	-	-
Miscellaneous	30,891	295,084	256,699
Total receipts	700,486	1,072,992	256,699
Disbursements:			
Public safety	86,405	35,048	35,048
Public works	94,566	12,000	12,000
Health and social services	783	-	-
Culture and recreation	43,999	24,325	24,325
Community and economic development	78,288	-	-
General government	85,019	30,605	30,605
Debt service	76,045	-	-
Capital projects	440,609	-	-
Business type activities	-	967,714	154,702
Total disbursements	905,714	1,069,692	256,680
Excess (deficiency) of receipts over (under) disbursements	(205,228)	3,300	19
Other financing sources, net	67,805	(67,805)	-
Excess of receipts and other financing sources	(137,423)	(64,505)	19
Balance beginning of year	250,563	411,976	(319)
Balance end of year	\$ 113,140	\$ 347,471	\$ (300)

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 215,109	\$ 217,637	\$ 217,637	\$ (2,528)
7,917	7,250	7,250	667
56,131	43,558	43,558	12,573
3,693	4,125	4,800	(1,107)
36,269	16,710	29,900	6,369
359,979	157,942	430,117	(70,138)
764,027	777,950	808,150	(44,123)
4,378	5,000	5,000	(622)
69,276	8,060	16,494	52,782
1,516,779	1,238,232	1,562,906	(46,127)
86,405	71,915	87,677	(1,272)
94,566	85,150	92,950	1,616
783	800	900	(117)
43,999	44,982	46,332	(2,333)
78,288	8,870	88,870	(10,582)
85,019	85,050	85,050	(31)
76,045	76,045	76,045	-
440,609	100,120	468,120	(27,511)
813,012	749,751	849,338	(36,326)
1,718,726	1,222,683	1,795,282	(76,556)
(201,947)	15,549	(232,376)	30,429
-	-	-	-
(201,947)	15,549	(232,376)	30,429
662,858	418,390	662,539	319
\$ 460,911	\$ 433,939	\$ 430,163	\$ 30,748

CITY OF DAYTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$572,599. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DAYTON

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2007**

	Special Revenue		
	Emergency	Employee Benefits	MIDAS Revolving Account
Receipts:			
Property tax	\$ 2,936	\$ 34,578	\$ -
Other city tax	40	1,350	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	2,976	35,928	-
Disbursements:			
Operating:			
Public safety	-	14,009	-
Public works	-	12,000	-
Culture and recreation	-	-	-
Community and economic development	-	-	4,817
General governments	-	15,504	-
Capital projects	-	-	-
Total disbursements	-	41,513	4,817
Excess (deficiency) of receipts over (under) disbursements	2,976	(5,585)	(4,817)
Other financing sources (uses):			
Operating transfers out	(3,000)	-	-
Total other financing sources (uses)	(3,000)	-	-
Net change in cash balances	(24)	(5,585)	(4,817)
Cash balances beginning of year	(504)	30,005	5,007
Cash balances end of year	\$ (528)	\$ 24,420	\$ 190

Schedule 1

Capital Projects				
Community Building Trust	Park	Street and Bridge	Total	
\$ -	\$ -	\$ -	\$	37,514
-	-	35,760		37,150
491	-	-		491
-	-	259,742		259,742
4,783	450	-		5,233
5,274	450	295,502		340,130
-	-	-		14,009
-	-	-		12,000
2,000	-	-		2,000
-	-	-		4,817
-	-	-		15,504
-	-	261,401		261,401
2,000	-	261,401		309,731
3,274	450	34,101		30,399
-	-	(19,717)		(22,717)
-	-	(19,717)		(22,717)
3,274	450	14,384		7,682
14,472	1,475	64,288		114,743
\$ 17,746	\$ 1,925	\$ 78,672	\$	122,425

(Continued on next page)

CITY OF DAYTON

**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2007**

	Special Revenue		
	Emergency	Employee Benefits	MIDAS Revolving Account
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ (528)	\$ 24,420	\$ 190
Capital projects fund	-	-	-
	<u>\$ (528)</u>	<u>\$ 24,420</u>	<u>\$ 190</u>

**Schedule 1
(Continued)**

Capital Projects				
Community Building Trust	Park	Street and Bridge	Total	
\$ 17,746	\$ -	\$ -	\$ 41,828	
-	1,925	78,672	80,597	
\$ 17,746	\$ 1,925	\$ 78,672	\$ 122,425	

CITY OF DAYTON**SCHEDULE OF INDEBTEDNESS****Year Ended June 30, 2007**

	Date of Issue	Interest Rate	Amount Originally Issued
General obligation notes:			
General obligation refunding	April 15, 1999	4.00-4.40%	\$ 390,000
Sewer	February 6, 2003	3.00%	76,000
Street, Sewer, and Water Improvement	November 25, 2003	2.90-4.85%	390,000
Total			\$ 856,000
Revenue bonds:			
Sewer	April 15, 2002	3.00%	\$ 689,000
Revenue notes:			
Electric	December 1, 1999	5.00-6.00%	\$ 745,000
Water Plant	December 17, 2003	3.20-4.35%	50,000
Total			\$ 795,000
Tax increment notes:			
Housing/Urban Development	July 1, 1999	1.00%	\$ 38,000

See accompanying independent auditor's report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 125,000	\$ -	\$ (40,000)	\$ 85,000	\$ 5,400	\$ -
46,000	-	(2,000)	44,000	1,495	-
390,000	-	(10,000)	380,000	17,150	-
\$ 561,000	\$ -	\$ (52,000)	\$ 509,000	\$ 24,045	\$ -
\$ 582,000	\$ -	\$ (29,000)	\$ 553,000	\$ 18,915	\$ -
\$ 615,000	\$ -	\$ (30,000)	\$ 585,000	\$ 35,698	\$ -
45,000	-	(5,000)	40,000	1,758	-
\$ 660,000	\$ -	\$ (35,000)	\$ 625,000	\$ 37,456	\$ -
\$ 15,007	\$ -	\$ (4,817)	\$ 10,190	\$ 127	\$ -

CITY OF DAYTON

BOND AND NOTE MATURITIES

Year Ended June 30, 2007

Year Ending June 30,	General Obligation Notes						
	GO Refunding		Sewer		Utilities/Sewer		Total
	Issued		Issued		Issued		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	4.30%	\$ 40,000	3.00%	\$ 2,000	3.20%	\$ 10,000	
2009	4.40%	45,000	3.00%	2,000	3.60%	10,000	57,000
2010		-	3.00%	3,000	3.95%	55,000	58,000
2011		-	3.00%	3,000	4.25%	55,000	58,000
2012		-	3.00%	3,000	4.45%	60,000	63,000
2013		-	3.00%	3,000	4.60%	60,000	63,000
2014		-	3.00%	3,000	4.75%	65,000	68,000
2015		-	3.00%	3,000	4.85%	65,000	68,000
2016		-	3.00%	3,000		-	3,000
2017		-	3.00%	3,000		-	3,000
2018		-	3.00%	3,000		-	3,000
2019		-	3.00%	3,000		-	3,000
2020		-	3.00%	3,000		-	3,000
2021		-	3.00%	3,000		-	3,000
2022		-	3.00%	4,000		-	4,000
		<u>\$ 85,000</u>		<u>\$ 44,000</u>		<u>\$380,000</u>	<u>\$509,000</u>

See accompanying independent auditor's report.

Year Ending June 30,	Revenue Bonds		Revenue Notes				
	Sewer		Electric		Water Plant		
	Issued		Issued		Issued		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2008	3.00%	\$ 30,000	5.40%	\$ 35,000	3.65%	\$ 10,000	\$ 45,000
2009	3.00%	31,000	5.50%	35,000	3.80%	10,000	45,000
2010	3.00%	32,000	5.60%	40,000	4.05%	10,000	50,000
2011	3.00%	32,000	5.70%	40,000	4.35%	10,000	50,000
2012	3.00%	33,000	5.75%	45,000	-	-	45,000
2013	3.00%	34,000	5.80%	45,000	-	-	45,000
2014	3.00%	35,000	5.85%	50,000	-	-	50,000
2015	3.00%	37,000	5.90%	50,000	-	-	50,000
2016	3.00%	38,000	6.00%	55,000	-	-	55,000
2017	3.00%	39,000	6.00%	60,000	-	-	60,000
2018	3.00%	40,000	6.00%	65,000	-	-	65,000
2019	3.00%	41,000	6.00%	65,000	-	-	65,000
2020	3.00%	42,000	-	-	-	-	-
2021	3.00%	44,000	-	-	-	-	-
2022	3.00%	45,000	-	-	-	-	-
		<u>\$553,000</u>		<u>\$585,000</u>		<u>\$ 40,000</u>	<u>\$625,000</u>

Schedule 3

Year Ending June 30,	Tax Increment Notes	
	Housing/Urban Development	
	Issued	
	Interest	
	Rates	Amount
2008	1.00%	\$ 4,865
2009	1.00%	4,912
2010	1.00%	413
2011		-
2012		-
2013		-
2014		-
2015		-
2016		-
2017		-
2018		-
2019		-
2020		-
2021		-
2022		-
		<u>\$ 10,190</u>

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
BY FUNCTION -- ALL GOVERNMENTAL FUNDS
For the Last Four Years

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 215,109	\$ 209,147	\$ 211,640	\$ 194,818
Tax increment financing	7,917	3,233	3,514	2,934
Other city tax	56,131	52,363	44,646	47,840
Licenses and permits	3,693	4,959	2,674	2,650
Use of money and property	24,729	37,889	27,115	18,880
Intergovernmental	355,776	277,700	95,137	102,003
Charges for service	1,862	-	-	6,502
Special assessments	4,378	5,078	6,058	7,404
Miscellaneous	30,891	17,145	9,954	126
Total	\$ 700,486	\$ 607,514	\$ 400,738	\$ 383,157
Disbursements:				
Operating:				
Public safety	\$ 86,405	\$ 91,119	\$ 61,711	\$ 66,514
Public works	94,566	90,266	90,225	81,142
Health and social services	783	424	215	722
Culture and recreation	43,999	45,140	43,072	53,960
Community and economic development	78,288	8,079	6,013	6,448
General government	85,019	76,965	72,501	72,901
Debt service	76,045	67,790	76,425	77,401
Capital projects	440,609	345,678	55,028	8,683
Total	\$ 905,714	\$ 725,461	\$ 405,190	\$ 367,771

See accompanying independent auditor's report.

CITY OF DAYTON

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dayton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated April 8, 2008. Our report expressed an unqualified opinion on the financial statements that were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dayton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Dayton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dayton's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Dayton's financial statements that is more than inconsequential will not be prevented or detected by the City of Dayton's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Dayton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dayton financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Dayton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dayton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dayton and other parties to whom the City of Dayton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dayton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
April 8, 2008

CITY OF DAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements that were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) The City of Dayton did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF DAYTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
June 30, 2007

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in the general government and business type activities functions.
- III-B-07 Questionable Disbursements – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-07 Deposits and Investments – The City complied with the provisions of Chapter 12B and 12C of the Code of Iowa.
- III-H-07 Revenue Bonds and Notes – The City has complied with the bond resolutions.
- III-I-07 Payment of General Obligation Bonds – The City has complies with all bond resolutions.
- III-J-07 Economic Development – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated August 28, 1986 were noted.
- III-K-07 Notice of Public Hearing for Public Improvements – The City published a notice of public hearing on all public improvement projects as required by Chapters 26.12 and 362.3 of the Code of Iowa.
- III-L-07 Financial Condition – The General Fund and Emergency Fund had deficit balances at June 30, 2007 of \$41,513 and \$528 respectively

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – These deficits were due to transfers of funds not being sufficient to cover the disbursements in the account. They will increase/decrease transfers as needed in the subsequent periods.

Conclusion – Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dayton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnarr & Company, LLP

Fort Dodge, Iowa
April 8, 2008